



Bernie Orozco
Director
State Governmental Affairs

Ph. (916) 492-4244
Fax (916) 443-2994
borozco@sempra.com

August 29, 2007

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Dear Commissioners:

RE: SB 1 Eligibility Requirements Staff Report -- Docket No. 07-SB-01

The Sempra Energy utilities, San Diego Gas & Electric Company and Southern California Gas Company, appreciate the opportunity to offer their comments concerning the Energy Commission's suggested eligibility criteria and conditions to be adopted and implemented for the incentives which will be paid for solar energy systems to be installed in California pursuant to Senate Bill 1, the California Solar Initiative (Chapter 132, Statutes of 2006). The Sempra Energy utilities offer their comments to the Commission in support of and in an effort to clarify and strengthen the Commission's solar energy systems incentives program.

Chapter 3 and 4: Solar Energy System Components and Installation Standards

Sempra Energy utilities support the staff recommendation that emphasis be placed on Performance Based Incentives (PBI), and that capacity-based (paid upfront) incentives be completely phased out over time.

In general, Sempra Energy utilities are pleased with the staff's recommendation regarding the testing, certification and other standardization of components and installation processes for solar systems. Safety of our customers and employees along with reliability must be paramount. We recognize, too, that the solar industry is growing exponentially and its own standards are constantly evolving to reflect new market changes and available technologies. We encourage the standards that will best ensure the customer obtains a solar system that is optimal for the location, climate zone, structure purpose (whether existing or new, commercial, residential, multi-family, etc.) and load.

As the California Energy Commission (CEC) continues forward on specific recommendations, Sempra Energy Utilities do see the need to be mindful of these areas that may have impact on our customers and that require more discussion:

- Do contractors certified for solar installation need to be more specially trained, or limited to C-10 contractors' licenses and above?
- As more data is available over time, are the current recommendations regarding third party field verification and installer self-inspections adequate? For instance, to avoid bias, we recommend that self-certifications from installers are not provided to third party inspectors

before their inspection is provided to the program installer. Currently, the expected performance-based buydown (EPBB) calculator allows the production of the system to be the maximum output that the modules are capable of, even when the size of the inverter does not allow for that much output. In order to provide incentives to the most customers possible, this should be changed to utilize the lesser of the maximum output or the inverter capacity.

Chapter 5: Energy Efficiency Comments

The Sempra Energy Utilities enthusiastically support moves to increase energy efficiency as a part of an overall statewide strategy. Energy efficiency is a crucial component in the adopted Energy Action Plan (EAP) loading order that will contribute to decreasing demand, increasing dependence on alternative renewable forms of energy, and encouraging the cleanest forms of generation overall.

The Sempra Energy utilities support the development of a Tier I and Tier II approach for new construction. Tier I is currently available for both residential and nonresidential new construction. Research is currently underway to determine a Tier II incentive for residential new construction to support the New Solar Homes Partnership. A mechanism to support the Tier II for nonresidential new construction is currently available. Program development for the 2009-2011 cycle will continue to offer this component as part of the overall new construction portfolio especially for those projects pursuing photovoltaic installation. Future programs will support an incentive that is based on the actual amount of energy that is estimated to be reduced below either the compliant baseline or another appropriate baseline.

Sempra Energy utilities encourage the Energy Commission to reconsider the requirement of residential new construction to also achieve an ENERGY STAR for Homes certification as a participation requirement for Tier I and II. During the early development of the New Solar Homes Partnership requirements, the requirements for ENERGY STAR were unsettled. With these requirements clarified, this issue should be readdressed. Requiring ENERGY STAR will insure that the building not only is reducing its energy consumption but also that key elements, thermal bypass and heating and cooling equipment, are properly installed and sized for the structure. This requirement could be supported through utility residential new construction training and incentive programs.

Consideration should be given to building types in establishing a Tier I and Tier II requirement for the residential sector. Utility programs currently address single family new construction but tend to aggregate multi-family new construction. Sempra Energy utilities are currently evaluating, through its program development process, how to address the larger market of multi-family new construction especially the mixed-use product and high-rise products. Sempra Energy utilities recommend that consideration be given to its results in establishing a revised Tier II approach if the analysis demonstrates this need or if warranted, the product type is classified as nonresidential for the sake of performance level. As an example, the research may prove that a mixed-use product should more appropriately achieve a 30% reduction as opposed to the current 35% reduction.

Sempra Energy utilities recommend that the tier performance levels be based on a whole building analysis and not a dwelling unit analysis for all residential product types and that these analyses are performed by a certified energy plans examiner.

Sempra Energy utilities have a concern regarding core and shell, and tenant improvement nonresidential new construction where the developer or tenant is interested in installing a photovoltaic system. The staff recommendation does not provide a provision for these building types that need to have a different energy efficiency requirement than whole building new construction projects.

The CEC staff recommendation does not address future energy efficiency code changes and the impact to the tier structure. Sempra Energy utilities recommend that the tier levels remain consistent following the changes in the Energy Efficiency Standards in 2008.

The CEC staff recommendation does not address energy efficiency program funding and budget limitations. Sempra Energy utilities recommend that the implementation of these programs be closely coordinated with the Public Utilities Commission so that the appropriate budgets can be determined and approved together with the corresponding program cycle budgets.

The Sempra Energy utilities also recommend that consideration be given to encourage customers receiving PV incentives to also participate in demand response programs. The EAP loading order lists energy efficiency and demand response as the highest priority resources. By participating in a demand response program, PV customers can enhance SB1's goal to achieve "optimal system performance during peak periods" by minimizing their demand and maximizing the PV generation available to the grid during critical hours. More, importantly, these demand response programs often impose no cost on the participating customers.

For example, all three investor-owned utilities (IOUs) currently operate AC cycling programs for residential and small commercial customers. These programs are free to participants and reward the participants with \$25 to over \$200/yr depending on system size and cycling frequency. In addition, there are IOU programs available (Capacity Bidding Program) to larger commercial customers offered through third party aggregators that also do not require any customer investment but reward them for load reduction during peak periods.

The Sempra Energy utilities believe requiring CSI program participants to investigate, if not participate in, no-cost demand response programs is consistent with the goals of SB1, consistent with the EAP loading order and will not inhibit participation in the CSI program.

The Sempra Energy Utilities respectfully ask the Commission to consider and adopt the above described modifications to the Commission's solar incentives program. Should you have any questions, please feel free to contact Steve Patrick, Sempra Senior Regulatory Counsel, at (213) 244-2954.

Yours sincerely,

Bernie Orozco